MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 1, 2018/2019**

## BAC1064 – ACCOUNTING FOR DECISION MAKING

(All sections / Groups)

13 OCTOBER 2018
9.00 am – 11.00 am
( 2 Hours )

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**INSTRUCTIONS TO STUDENTS**

1. This Question paper consists of 7 pages with 4 Questions only .
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.

## QUESTION 1

### Part A

Answer each of the following independent questions.

1. Identify the accounting standards sets by the International Accounting Standard Board (IASB) and lists the TWO (2) measurement principles used by the standards. (1.5 marks)

2. Financial and management accounting information are reported and communicated to two different types of users. For each type of user, provide a specific example and briefly explain the uses of accounting information to their decision making. (3 marks)

3. Identify any TWO (2) limitations of a Trial Balance. (2 marks)

4. Lists the THREE (3) basic steps in the recording process. (1.5 marks)

### Part B

Presented below is a Statement of Financial Position for Quick Laundry Service as at 31 December 2017.

**QUICK LAUNDRY SERVICE**
Statement of Financial Position
As at 31 December 2017

| Assets | (RM) | Liabilities and Equity | (RM) |
|---|---|---|---|
| Cash | 12,000 | Liabilities | |
| Accounts receivable | 3,500 | Accounts payable | 2,800 |
| Laundry supplies | 4,800 | Notes payable | 3,500 |
| Prepaid Insurance | 5,000 | Equity | |
| Equipment | 21,000 | Share capital–ordinary | 40,000 |
| Total assets | 46,300 | Total equity & liabilities | 46,300 |

The following additional data occurred for the year 2017: All expenses (excluding laundry supplies expense and insurance expense) were RM4,500. Laundry supplies as at 1 January were RM2,000 and RM6,100 were purchased during the year. Prepaid Insurance as at 1 January was RM3,000 and RM9,500 were purchased during the year. Net income for the year was RM7,200.

**Instructions:**
Based on above information, calculate the following amount for the year 2017. Show all workings.

(a) Laundry supplies expense. (2 marks)

(b) Insurance expense for the year. (2 marks)

**Continued.....**

(c) Total expenses for the year. (2 marks)

(d) Service revenues for the year. (2 marks)

**Part C**

Pretty Please Bhd, newly commenced its business and occurred the following transactions for the month of October 2017.

1. The company issues ordinary shares in exchange for RM80,000 cash.
2. Purchased land costing RM50,000 for cash.
3. Purchased equipment costing RM30,000 on credit by signing a 30-day, notes payable.
4. Purchased supplies on account for RM1,500.
5. Received RM4,000 cash for future service to be performed.
6. Paid RM1,500 for a one-year insurance policy.
7. Performed services to client on account amounted RM6,000.
8. Paid salaries to employees for RM2,500.
9. Paid dividends of RM1,000.

**Instruction:**
Journalize the above transactions. You may omit journal explanations.

(9 marks)

**[TOTAL 25 MARKS]**

**QUESTION 2**

**Part A**

Home Deco Bhd. commenced business on 1 January 2017. At the end of the first 6 months of operation, the Trial Balance contained the following accounts balances.

| | Debit (RM) | | Credit (RM) |
|---|---|---|---|
| Cash | 7,300 | Accounts payable | 5,200 |
| Accounts receivable | 2,100 | Notes payable | 11,000 |
| Supplies | 3,000 | Unearned service revenue | 8,500 |
| Prepaid insurance | 4,000 | Share capital–ordinary | 15,000 |
| Equipment | 15,000 | | |
| Advertising expense | 1,600 | | |
| Rent expense | 5,500 | | |
| Utilities expense | 1,200 | | |
| | 39,700 | | 39,700 |

Analysis reveals the following additional data.

**Continued.....**

1. A count of supplies shows RM1,200 of supplies still on hand as at 30 June 2017.
2. Prepaid insurance is a one-year insurance policy starting 1 January 2017.
3. Annual depreciation is RM3,000 on equipment.
4. The note payable was issued on 1 March 2017. It is a 5%, 6-month note.
5. RM2,500 of the balance in the Unearned Service Revenue account remain unearned as at 30 June 2017.

**Instructions:**

(a) Journalize the adjusting entries that were made for the first 6 months of operation. Show all workings.

(7.5 marks)

(b) Prepare the Adjusted Trial Balance as at 30 June 2017.

(10.5 marks)

**Part B**

Ronald Bhd. prepares the following comparative statements of Financial Position as at 31 December 2017.

**RONALD BERHAD**
Statement of Financial Position
As at 31 December 2017

| | 2017 (RM) | 2016 (RM) |
|---|---|---|
| Cash | 32,000 | 28,000 |
| Accounts receivable | 75,000 | 82,000 |
| Inventory | 180,000 | 173,000 |
| Land | 20,000 | 25,000 |
| Buildings | 75,000 | 75,000 |
| Accumulated depreciation - Buildings | (15,000) | (7,500) |
| Total | 367,000 | 375,500 |
| | | |
| Accounts payable | 32,000 | 29,500 |
| Retained earnings | 115,000 | 146,000 |
| Share capital–ordinary | 220,000 | 200,000 |
| Total | 367,000 | 375,500 |

Ronald's 2017 income statement included net sales of RM395,000, cost of goods sold of RM275,000, and net income of RM35,000.

**Instructions:**

(a) Calculate the following ratios for the year 2017. Show all formulas and workings.

i. Current ratio

ii. Asset turnover

**Continued.....**

iii. Debt to assets ratio

(6 marks)

(b) There are three financial ratio classifications namely liquidity, profitability and solvency. Briefly explain the concept of liquidity ratio.

(1 marks)

**[TOTAL 25 MARKS]**

## QUESTION 3

### Part A

Kennedy Bhd reports the following costs and expenses in May.

| | (RM) | | (RM) |
|---|---|---|---|
| Factory utilities | 15,500 | Direct labor | 78,200 |
| Depreciation on factory equipment | 12,450 | Sales salaries | 48,400 |
| Office miscellaneous expense | 2,100 | Property taxes on factory building | 2,500 |
| Depreciation on delivery trucks | 3,800 | Office insurance expense | 1,300 |
| Indirect factory labor | 46,700 | Repairs to office equipment | 1,300 |
| Indirect materials | 70,500 | Factory repairs | 2,000 |
| Direct materials used | 155,400 | Advertising expense | 20,000 |
| Factory manager's salary | 6,500 | Office supplies used | 4,650 |

**Instructions:**
Based on above information, calculate

(a) Manufacturing overhead. (4 marks)

(b) Product costs. (2 marks)

(c) Period costs. (4 marks)

### Part B

In the month of September, Maurice Bhd sold 500 units of product. The average sales price was RM40. During the month, fixed costs were RM5,200 and variable costs were 50% of sales.

**Instructions:**
(a) Determine the contribution margin in dollars, per unit, and as a ratio. (6 marks)

(b) Using the contribution margin technique, compute the break-even point in dollars and in units.

(4 marks)

**Continued.....**

**Part C**

Based on cost behavior concept, identify the correct answer for each of the following statement.

1. The amount of revenue remaining after deducting variable costs.
2. The percentage of sales dollars available to cover fixed costs and produce income.
3. The difference between actual or expected sales and sales at the break-even point.
4. Costs that vary in total directly and proportionately with changes in the activity level.
5. The level of activity at which total revenues equal total costs.

(5 marks)

**[TOTAL 25 MARKS]**

**QUESTION 4**

**Part A**

Paradelle Bhd ended its fiscal year as at 30 June 2017. The company's adjusted Trial Balance at the end of its fiscal year is as follow.

**PARADELLE BERHAD**
Trial Balance (Adjusted)
As at 30 June 2017

| | Dr (RM) | Cr (RM) |
|---|---|---|
| Cash | 15,200 | |
| Accounts receivable | 8,400 | |
| Equipment | 18,000 | |
| Accumulated depreciation - equipment | | 3,600 |
| Notes payable | | 3,200 |
| Accounts payable | | 1,600 |
| Unearned service revenue | | 2,100 |
| Share capital–ordinary | | 25,000 |
| Retained earnings | | 27,700 |
| Dividend | 10,000 | |
| Service revenue | | 46,000 |
| Depreciation expense | 3,600 | |
| Salaries and wages expense | 42,000 | |
| Utilities expense | 12,000 | |
| | 109,200 | 109,200 |

**Instructions:**

Based on the above information,

(a) Prepare the closing entries.

(5 marks)

(b) Prepare the Post-Closing Trial Balance as at 30 June 2017.

(5 marks)

**Continued.....**

(c) Based on answer in (b), prepare a classified Statement of Financial Position as at 30 June 2017.

(5 marks)

**Part B**

Bello Bhd occurred the following comparative Statements of Financial Position as at 31 December 2017 and 2016. Bello's net income for 2017 was RM205,000. Depreciation expense was RM29,000.

**BELLO BERHAD**
Comparative Statement of Financial Position
31 December

| | 2017 (RM) | 2016 (RM) |
|---|---|---|
| Current Assets: | | |
| Cash | 41,600 | 39,400 |
| Accounts receivable | 31,200 | 25,100 |
| Inventory | 54,000 | 66,000 |
| Prepaid expenses | 13,200 | 6,600 |
| Total current assets | 140,000 | 137,100 |
| | | |
| Current Liabilities: | | |
| Accounts payable | 14,300 | 30,000 |
| Accrued expense payable | 27,700 | 22,100 |
| Total current liabilities | 42,000 | 52,100 |

**Instructions:**

(a) Prepare the net cash provided by operating activities section of the company's Statement of Cash Flows for the year ended 31 December2017, using the indirect method.

(5 marks)

(b) Provide any TWO (2) usefulness of information in a Statement of Cash Flows to interested users.

(2 marks)

(c) Other than cash activities, a company may also have non-cash activities. List any THREE (3) significant non-cash activities.

(3 marks)

**[TOTAL 25 MARKS]**

**End of Page**